

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-14 ISO-00 MMO-04 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-06 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 /126 W
-----107156 231202Z /15

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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC PRIORITY 0758
INFO USMISSION GENEVA PRIORITY

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E.O. 11652: N/A
TAGS: ETRD, EPAP, IS
SUBJECT: TARIFFS - ISRAEL'S TARIFF PREFERENCE TO EC ON TEXTILE ITEMS

REF: A) 77 STATE 308595; B) 77 TEL AVIV 10420

1. ON JANUARY 19 EMBOFF MET WITH DR. YAACOV COHEN, ASSISTANT DIRECTOR GENERAL FOR FOREIGN TRADE OF THE MINISTRY OF INDUSTRY, TRADE AND TOURISM, TO DISCUSS ISRAEL'S TARIFF PREFERENCE TO EC ON TEXTILE ITEMS. TALKING POINTS PAPER CONTAINING FOUR POINTS LISTED PARAGRAPH 3 REFTEL (A) WAS LEFT WITH HIM.

2. IN TURN, COHEN HANDED TO EMBOFF UPDATED DUTY LIST (AS OF NOV. 19, 1977) OF ITEMS COVERED BY 1975 US-ISRAEL UNDERSTANDING. ACCORDING TO COVER SHEET ACCOMPANYING THE LIST, THE ORIGINAL 133 ITEMS COVERED IN THE 1975 UNDERSTANDING HAVE BEEN REDUCED TO 127 ITEMS DUE TO EXCHANGES IN CUSTOMS CLASSIFICATIONS. OUT OF THESE 127 ITEMS, 122 ITEMS WERE GIVEN THE SAME TREATMENT AS THE EC AND DUTIES ON THESE ITEMS HAVE BEEN REDUCED EQUALLY FOR EC AND MFN. OUT OF THESE 122 ITEMS, 56 UNCLASSIFIED

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DID NOT RPT NOT MEET ONE OR MORE OF THE 1975 CRITERIA BUT WERE GIVEN THE SAME DUTY TREATMENT AS THE EC. ITEMS 8701-9900 (TRACTORS) WHICH DID NOT MEET THE DUTY LEVEL CRITERIA WAS REDUCED TO FOUR PERCENT (MFN) FROM 10 PERCENT. THIS IS HIGHER THAN THE EC RATE WHICH IS TWO PERCENT. WITH REGARD TO FOUR SENSITIVE TEXTILE ITEMS: 55099900; 56071090* 56071090; AND 58043000,

THE SPECIFIC RATES WERE RAISED HIGHER ON US GOODS THAN ON EC GOODS, BUT TWO OUT OF THESE FOUR TEXTILE ITEMS DO NOT MEET ONE OF THE THREE CRITERIA ESTABLISHED IN THE 1975 UNDERSTANDING. (COPY OF COVERING STATEMENT AND TABLE BEING AIRPOUCHED NEA/IAI). REGARDING THE FIRST POINT LISTED PARAGRAPH 3 REFTEL (A), DR. COHEN COMMENTED THAT GATT ARTICLE II ALLOWED SPECIFIC DUTY RATES TO BE INCREASED.

3. AS CAN BE SEEN FROM ABOVE, TWO OF THE FOUR TEXTILE ITEMS LISTED BY DR COHEN ARE THE SAME ONES ON WHICH EMBOFF REQUESTED REDUCTION TO EC LEVELS AND THE OTHER TWO WERE ALSO INCLUDED IN THE LIST FORWARDED BY REFTEL (B).

4. DR.COHEN PROMISED TO STUDY USG REQUEST ON FOUR TEXTILE TIEMS AND TO REPLY AS SOON AS POSSIBLE.

5. DR. COHEN ALSO EMPHASIZED THAT, BECAUSE OF ISRAEL'S SPECIAL TRADE RELATIONSHIP WITH THE US, IT WAS NOT CONTEMPLATING A FURTHER REDUCTION IN DUTIES IN ACCORDANCE WITH TIMETABLE INCLUDED IN ISRAEL'S AGREEMENT WITH EC. ACCORDING TO THIS AGREEMENT, ISRAEL WAS SCHEDULED TO REDUCE FURTHER DUTIES ON EC GOODS ON JULY 1, 1978. THE GOI HAS INFORMED THE EC THAT IT WILL CONSIDER THE OCT. 28, 1977 REDUCTIONS AS MEETING THE 1978 REQUIREMENT. THERE WOULD THUS BE NO ENLARGEMENT
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OF EXISTING DIFFERENECES BETWEEN US AND EC. THERE WILL BE DIFFERENCES IN DUTIES ON MARGINAL PRODUCTS FOR THE US, BUT THESE DIFFERENCES ARE MINOR. THE ISRAELI POLICY WAS NOT TO CAUSE DIVERSION OF TRADE, BUT RATHER TO REDUCE DUTIES TO ALL WITH ONLY MARGINAL DIFFERENCES.

6. WITHOUT SPECIFYING PARTICULAR ITEMS, COHEN COMMENTED THAT IT WAS NOT TO US BENEFIT TO ASK FOR MFN TREATMENT EQUAL TO EC LEVEL ON THOSE ITEMS IN WHICH IT WAS ONLY A MARGINAL SUPPLIER, EVEN THOUGH THE PRODUCT MET THE THREE CRITERIA LISTED IN THE 1975 UNDERSTANDING. IF US DID INSIST, IT WOULD ONLY BENEFIT OTHER PRODUCERS WHO SUPPLY THE MAJOR SHARE OF THE ISRAELI MARKET FOR A PARTICULAR COMMODITY, SUCH AS FAR EAST COUNTRIES.

7. COHEN WAS ANXIOUS TO FIND OUT IN WHAT FORUM WOULD THE BILATERAL CONSULATIONS MENTIONED PARAGRAPH 3 REFTEL (A) TAKE PLACE. HE SUGGESTED THAT THEY BE HELD IN THE TRADE SUBCOMMITTEE OF THE US-ISRAELI JOING COMMITTEE FOR INVESTMENT AND TRADE. HE COMMENTED THAT ISRAEL ALSO WANTED TO DISCUSS PROBLEMS OF PRODUCT STANDARDS, ETC., WHICH HINDER ITS EXPORTS TO THE US AND THAT THESE

TOPICS ALREADY WERE UNDER DISCUSSION IN THE TRADE
SUBCOMMITTEE.

8. COMMENT: COHEN FINALLY WAS FORTHCOMING IN PROVIDING
BASIC INFORMATION ON CHANGES IN DUTIES AND ADMITTED
THAT AT LEAST TWO TEXTILE ITEMS IN 1975 UNDERSTANDING
NOW BEAR HIGHER DUTIES THAN EC GOODS. HIS PROVISION OF
INFORMATION WAS PROBABLY DUE TO FACT THAT, AFTER
ORIGINAL APPOINTMENT WITH COHEN HAD BEEN CANCELLED,
EMBOFF TELEPHONED SUBSTANCE OF POINTS HE WANTED TO
RAISE TO ITT OFFICER IN CHARGE US AFFAIRS. THIS IS
FIRST TIME GOI HAS INFORMED EMBASSY OF DUTY CHANGES IT
HAD CARRIED OUT ON NOVEMBER 18, 1977 AND THEIR IMPACT
ON LIST OF ITEMS UNDER 1975 UNDERSTANDING. EMBASSY
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WILL FOLLOW-UP MATTER WITH COHEN IF HE HAS NOT REPLIED
WITHIN TWO WEEKS TO OUR REPUEST. SUGGEST DEPARTMENT
ALSO CONTACT ISRAELI EMBASSY AND INFORM IT THAT USG
HOPES THAT ITS REQUEST FOR THE FOUR TEXTILE ITEMS
SPECIFIED WILL BE ACCEPTED.

9. REGARDING PREPARATIONS FOR TRADE CONSULTATIONS, DEPARTMENT
MIGHT WISH ALSO TO USE JANUARY-JUNE 1977 ISRAELI IMPORT
STATISTICS BY COMMODITY AND COUNTRY WHICH WERE RECENTLY
FORWARDED TO DEPARTMENT UNDER CERP PUBLICATIONS PROGRAM.
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